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TO RUEHC/SECSTATE WASHDC PRIORITY 8229
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RHMCSUU/DEPT OF ENERGY WASHINGTON DC
RUEAWJA/DEPT OF JUSTICE WASHDC
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SENSITIVE

STATE FOR WHA/CAR, WHA/PPC, EEB/TPP/BTA, INL
STATE PASS USTR FOR AUSTR EISSENSTAT, V LOPEZ
USDOC/ITA/MAC/LATIN AMERICA CARIBBEAN
TREASURY FOR OFFICE OF TAX POLICY
DOE FOR OFFICE OF POLICY AND INT'L AFFAIRS

E.O. 12958: N/A

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SUBJECT: RESPONDING TO PRIME MINISTER MANNING'S BILATERAL AGENDA

REFS: (A) 07 POS 389, (B) 06 POS 1344, (C) 06 POS 1125

(D) 04 POS 1388, (E) 04 POS 2202 (NOTAL)

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY

11. (U) This is an action request - see paragraph 3.

12. (SBU) SUMMARY: When Prime Minister Manning visits Washington for the Caribbean 20/20 Conference in June, he will bring with him a series of bilateral proposals on trade, tax policy, and narcotics interdiction that he has been raising consistently in encounters with visiting senior USG officials over the last several years. Since September 2006, he has criticized Washington in increasingly harsh terms, both publicly and in private, for turning its back on the Caribbean and for not responding to his bilateral agenda (REFS A-C).

13. (SBU) SUMMARY CONTINUED: Post recognizes that the 20/20 Conference is intended in part to counter perceptions that the U.S. is "neglecting" the Caribbean. We believe PM Manning will find this message far more convincing if he receives clear and direct responses to the issues on his agenda before he travels to Washington. ACTION REQUEST: Post requests Washington agencies' guidance on how to respond to PM Manning's proposals on trade, taxes, and drug interdiction. END SUMMARY AND ACTION REQUEST

Trade: Access to U.S. market post-CBTPA

14. (SBU) Prime Minister Manning has repeatedly proposed that the United States consider negotiating a partial-scope trade agreement providing duty-free treatment for "energy-based products" from T&T. As a separate proposal, Manning also has asked that the United States confer duty-free treatment for goods packaged in T&T, regardless of origin. Manning has described the latter proposal as a way of stimulating manufacturing in other Caribbean countries. It also dovetails with efforts to promote the local printing and packaging industry, one of seven industries in which the GOTT is targeting efforts to develop the non-energy economy.

15. (SBU) In a July 26, 2004, letter to then-USTR Ambassador Zoellick, GOTT Trade Minister Kenneth Valley proposed that future bilateral consultations address duty free access for goods packaged

in T&T as well as "enhanced treatment for goods which are pertinent to the economic development of Trinidad and Tobago" (reftel D).

¶6. (SBU) Post believes these proposals reflect concern over the scheduled expiration of the Caribbean Basin Trade Partnership Act (CBTPA) in 2008 and the perceived "instability" of Caribbean Basin Initiative (CBI) trade preferences generally, in the absence of a WTO waiver. As other leading CBI beneficiaries "graduate" to the DR-CAFTA, T&T is left as our largest remaining CBI supplier. Specifically, the expiration of CBTPA will end duty-free entry of certain T&T petroleum products, valued at US\$2.6 billion in 2006 according to U.S. import statistics, as well as much smaller volumes of fish and apparel. Another US\$1.1 billion of T&T products entered the U.S. under Caribbean Basin Economic Recovery Act (CBERA) preferences in 2006, including methanol (US\$1.0 billion), ethanol (\$37 million), and a range of manufactured goods.

¶6. (SBU) While Manning's trade ideas appear inconsistent with U.S. and WTO standards for free trade, they can nevertheless be taken as an opportunity to engage the largest CARICOM trading nation in a discussion on the future of the U.S.-CARICOM trade relationship, as well as prospects for using T&T's chairmanship of the 2009 Summit of the Americas to advance trade liberalization in the hemisphere. As recently as his March 20 visit to Caracas, PM Manning reiterated T&T's "irrevocable commitment" to the Free Trade Area of the Americas, even at the risk of souring his efforts to enhance energy cooperation with Venezuela.

Tax Treaty: Shifting the Exploration Write-off

¶7. (SBU) Prime Minister Manning has proposed to renegotiate the U.S.-T&T double taxation treaty, signed and ratified in 1970, in order to shift the tax deduction resulting from exploration in T&T by U.S. oil and gas companies to the U.S. tax jurisdiction. Manning

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has justified this approach by asserting that the country whose energy security stands to benefit from oil and gas discoveries (i.e. the United States) should bear the fiscal burden of associated corporate tax write-offs.

¶8. (SBU) On several occasions in 2004-5, Manning pointed to British Petroleum's local operation bpTT as a source of concern, describing bpTT as a U.S. company by virtue of its incorporation in Delaware and its practical control by U.S. interests. In 2006, bpTT's costly Deep Ibis well may have generated another significant tax write-off when it failed to discover hydrocarbons.

¶9. (SBU) Post files show that the GOTT Ministry of Foreign Affairs conveyed the request to renegotiate the tax treaty in a diplomatic note delivered to Post in November 2004 (reftel D). We have found no record of a formal U.S. response in Post files.

Narcotics Interdiction "Up the Islands"

¶10. (SBU) Manning has proposed that the United States pay the cost for Trinidad & Tobago to patrol the waters of the Eastern Caribbean for the purpose of narcotics interdiction. The GOTT is in the process of upgrading its ability to monitor and patrol T&T territorial waters, but Manning has expressed concern that narco-traffickers will simply move their operations to other islands in the Eastern Caribbean, such as Grenada, St. Vincent & the Grenadines, Antigua & Barbuda, St. Kitts & Nevis, and Dominica.

¶11. (U) The GOTT procured an Israeli manufactured 360-degree radar system in 2005. More recently the GOTT signed an agreement with the United Kingdom to purchase three 90-meter off-shore patrol vessels (OPVs) for delivery in 2009; separately they are procuring four armed helicopters and four to six interceptors, to be carried by the OPVs. They are also re-issuing a commercial tender for six fast patrol craft.

¶12. (SBU) Manning has told visiting USG officials that the GOTT is prepared to patrol "up the islands" but that it cannot afford the

additional vessels that would be required. On one occasion he estimated the cost at US\$2 to 3 billion (reftel C). In proposing that the United States take on this cost, he has repeatedly pointed out that the drugs transiting the Caribbean are destined for the U.S. and other developed countries. He also has suggested that other CARICOM states would find it "more palatable" to have GOTT vessels rather than USG vessels entering their territorial waters.

¶13. (SBU) Post anticipates Manning also will raise this idea during the scheduled August visit of SOUTHCOM Commander Admiral Stavridis.

¶14. (SBU) COMMENT: We are not aware that the T&T Embassy has followed up with State or other Washington agencies on these proposals. Post believes, however, that it would be timely to clear the air on Manning's bilateral agenda in advance of the Caribbean 20/20 conference. Each of his proposals has obvious problems, but a clear point-by-point response, paired with an offer to engage on underlying concerns where appropriate, could shift GOTT thinking in more constructive directions. This could only benefit our efforts to work with the GOTT to advance mutual interests in CARICOM and in the run-up to the 2009 Summit of the Americas, which T&T will host.
END COMMENT.

AUSTIN